EXHIBIT D
PART 4

Effect of foreign exchange rate changes	(1)	-	(3,448)	555
Net increase/ (decrease) in cash	1,524	242,512	(219,029)	(27,789)
Cash				
At beginning of the year	5,903	7,427	249,939	32,027
At end of the year	7,427	249,939	30,909	4,237

FUWEI FILMS (HOLDINGS) CO., LTD and SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
For the years ended December 31, 2005, 2006 and 2007
(amounts in thousands)

	2005	2006	2007	
	RMB	RMB	RMB	US$
Supplemental disclosure of cash flow information				
Cash paid during the year for interest expense	14,899	15,739	12,921	1,699

Supplemental disclosure of non-cash investing and financing activities:

(a) On November 23, 2006, the outstanding loans from Apex Glory Holdings Limited of RMB70,596 and Easebright Investments Limited of RMB18,766 were converted into 6,911,895 and 1,837,334 ordinary shares of the Company, respectively.

(b) In connection with the initial public offering ("IPO") of the Company, there were non-cash expenses of RMB5,643, representing the fair value of stock options granted to Maxim Group LLC on December 18, 2006, deducted from the IPO proceeds and recorded in additional paid-in capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2005, 2006 and 2007
(amounts in thousands, except share and per share data)

(1) Principal Activities and Reorganization

Fuwei Films (Holdings) Co., Ltd (the "Company") and its subsidiaries (the "Group") are principally engaged in the production and distribution of BOPET film, a high quality plastic film widely used in packaging, imaging, electronics, electrical and magnetic products in the People's Republic of China (the "PRC"). The Company is a holding company incorporated in the Cayman Islands, established on August 9, 2004 under the Cayman Islands Companies Law as an exempted company with limited liability. The Company was established for the purpose of acquiring shares in Fuwei (BVI) Co., Ltd ("Fuwei (BVI)"), an intermediate holding company established for the purpose of acquiring all of the ownership interest in Shandong Fuwei.

On August 20, 2004, the Company was allotted and issued one ordinary share of US$1.00 in Fuwei (BVI) (being the entire issued share capital of Fuwei (BVI)), thereby establishing Fuwei (BVI) as the intermediate investment holding company of the Group.

The Group was established by certain members of the former management team and employees (the "Group Founders") of Shandong Neo-Luck Plastics Co., Ltd ("Shandong Neo-Luck"), a company owned 59% by a PRC state-owned enterprise. Prior to filing for bankruptcy protection on September 24, 2004, Shandong Neo-Luck was engaged in the business of BOPET film production. Certain production-related assets of Shandong Neo-Luck which had previously been mortgaged to the Bank of China, Weifang City branch (the "Mortgagee Bank") as security for several loans extended to Shandong Neo-Luck's affiliates were acquired through public auction by Fuwei Films (Shandong) Co., Ltd ("Shandong Fuwei") on October 9, 2003 for RMB156,000 as a result of the borrowers default on various bank loans. Shandong Fuwei, established in the PRC on January 28, 2003 as a limited liability company, commenced its operations in July 2003. The principal activities of Shandong Fuwei are those relating to the design, production and distribution of plastic flexible packaging materials. Shandong Neo-Luck was subsequently declared bankrupt by the Weifang Municipal People's Court in the PRC on September 24, 2004.

Through its intermediate holding company, Fuwei (BVI), the Company acquired a 100% ownership interest in Shandong Fuwei on October 27, 2004 for a purchase price of RMB91,093. Shandong Fuwei thereafter became a wholly-owned subsidiary of Fuwei (BVI) effective October 27, 2004. On December 25, 2004, Shandong Fuwei acquired additional production-related assets through public auction that were formerly owned by Shandong Neo-Luck for RMB119,280. Shandong Fuwei was converted into a wholly-foreign owned enterprise in the PRC on January 5, 2005, with a registered capital of US$11,000.

On December 18, 2006, the Company was successfully listed on the Nasdaq Global Market and offered 3,750,000 ordinary shares, at an IPO price of US$8.28 per ordinary share. On December 18, 2006, an additional 562,500 ordinary shares were sold at the IPO price of US$8.28 per ordinary share pursuant to the underwriter's exercise of its over-allotment option.

In connection with the IPO of the Company, net proceeds, after deduction of the related expenses, with aggregate amount of RMB235,867 were received.

(2) Basis of Presentation

The Group's consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

(2) Basis of Presentation (continued)

This basis of accounting differs in certain material respects from that used in the preparation of the books of account of Shandong Fuwei, the Company's principal subsidiary, which are prepared in accordance with the accounting principles and the relevant financial regulations applicable to enterprises limited by shares as established by the Ministry of Finance of the PRC ("PRC GAAP"), the accounting standards used in the country of its domicile. The accompanying consolidated financial statements reflect necessary adjustments not recorded in the books of account of the Company's subsidiaries to present them in conformity with US GAAP.

(3) Summary of Significant Accounting Policies and Practices

(a) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and its two subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Foreign Currency Transactions

The Group's reporting currency is the Renminbi ("RMB").

The Company and Fuwei (BVI) operate in Hong Kong as investment holding companies and their financial records are maintained in Hong Kong dollars, being the functional currency of these two entities. Assets and liabilities are translated into RMB at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and income, expenses, and cash flow items are translated using the average rate for the period. The translation adjustments are recorded in accumulated other comprehensive income in the statements of shareholders' equity and comprehensive income.

Transactions denominated in currencies other than RMB are translated into RMB at the exchange rates quoted by the People's Bank of China (the "PBOC") prevailing at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into RMB using the applicable exchange rates quoted by the PBOC at the balance sheet dates. The resulting exchange differences are recorded in the statements of income.

Commencing from July 21, 2005, the PRC government moved the RMB into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. The exchange rate of the U.S. dollar against the RMB was adjusted from approximately RMB 8.28 per U.S. dollar on July 20, 2005 to RMB 8.11 per U.S. dollar on July 21, 2005.

For the convenience of the readers, the 2007 RMB amounts included in the accompanying consolidated balance sheet has been translated into U.S. dollars at the rate of US$1.00 = RMB 7.2946, being the noon buy rate for U.S. dollars in effect on December 31, 2007 in the City of New York for cable transfer in RMB per U.S. dollar as certified for custom purposes by the Federal Reserve Bank. No representation is made that the RMB amounts could have been, or could be, converted into U.S. dollar at that rate or at any other certain rate on December 31, 2007, or at any other date. The Company used average exchange rate of US$1=RMB 7.6058 to translate the consolidated statement of operations and statement of cash flow for the year ended December 31, 2007 and historical rate for the statement of stockholders' equity for the year ended December 31, 2007.

RMB is not fully convertible into foreign currencies. All foreign exchange transactions involving RMB must take place either through the PBOC or other institutions authorized to buy and sell foreign currency. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the PBOC which are determined largely by supply and demand.

(amounts in thousands, except share and per share data)

(3) Summary of Significant Accounting Policies and Practices (continued)

(c) Cash and Restricted Cash

As of December 31, 2006 , there was restricted cash of RMB3,311 for trade financing purposes. As of December 31, 2007, there was restricted cash of RMB64,909 (US$8,898) which includes RMB26,000(US$3,418) cash payments reserved to invest in a hotel and paid in January 2008.

(d) Trade Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount after deduction of trade discounts, value added taxes and allowances, if any, and do not bear interest. The allowance for doubtful accounts is the Group's best estimate of the amount of probable credit losses in the Group's existing accounts receivable. The Group determines the allowance based on historical write-off experience, customer specific facts and economic conditions.

The Group reviews its allowance for doubtful accounts monthly. Past due balances over 90 days and over a specified amount are reviewed individually for collectibility. All other balances are reviewed on a pooled basis by aging of such balances. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Group does not have any off-balance-sheet credit exposure related to its customers.

(e) Inventories

Inventories are stated at the lower of cost or market value. Cost is determined using first-in, first-out basis method. Cost of work in progress and finished goods comprises direct material, direct production cost and an allocated portion of production overheads based on normal operating capacity.

(f) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment.

Depreciation on property, plant and equipment is calculated on the straight-line method (after taking into account their respective estimated residual values) over the estimated useful lives of the assets as follows:

	Years
Buildings and improvements	25 - 30
Plant and equipment	10 - 15
Computer equipment	5
Furniture and fixtures	5
Motor vehicles	5

Depreciation of property, plant and equipment attributable to manufacturing activities is capitalized as part of inventory, and expensed to cost of goods sold when inventory is sold. Depreciation related to abnormal amounts from idle capacity is charged to cost of goods sold for the period incurred. Total depreciation for the year ended December 31, 2005, 2006, and 2007 was RMB23,337, RMB23,425, and RMB23,217 (US$3,053) respectively, of which 98%, 97% and 93% were recorded in cost of goods sold and 2%, 3% and 7% was recorded in administrative expenses, respectively.

Construction in progress represented capital expenditure in respect of the BOPET productions line. No depreciation is provided in respect of construction in progress.

(3) Summary of Significant Accounting Policies and Practices (continued)

(g) Lease Prepayments

Lease prepayments represent the costs of land use rights in the PRC. Land use rights are carried at cost and charged to expense on a straight-line basis over the respective periods of rights of 30 years. The current portion of lease prepayments has been included in prepayments and other receivables in the balance sheet.

(h) Intangible Assets

The Group acquired a trademark for use in the production and distribution of plastic flexible packaging materials. The trademark is carried at cost less accumulated amortization. Amortization expense is recognized on the straight-line basis over the estimated useful life of 5 years of the trademark.

Given the environment in which the Group currently operates, it is reasonably possible that the estimated economic useful life of the asset or the Group's estimate that it will recover its carrying amount from future operations could change in the future.

(i) Goodwill

Goodwill represents the excess of purchased cost over fair value of net assets of the Shandong Fuwei business acquired. Goodwill is evaluated for impairment at least annually. Management has determined that Shandong Fuwei is the reporting unit for testing goodwill impairment. The first step of the test for impairment compares the book value of Shandong Fuwei to its estimated fair value. The second step of the goodwill impairment test, which is only required when the net book value of the reporting unit exceeds the fair value, compares the implied fair value of goodwill to its book value to determine if an impairment is required.

The fair value of Shandong Fuwei was determined based on the expected discounted future cash flows methodology. The use of discounted cash flow methodology requires significant judgments including estimation of future revenues and costs, industry economic factors, future profitability, determination of Shandong Fuwei's weighted average cost of capital and other variables. Although the Company based its fair value estimate on assumptions it believes to be reasonable, those assumptions are inherently unpredictable and uncertain.

Management performed step one of its annual goodwill impairment test in the fourth quarter of 2007 and determined that the fair value of Shandong Fuwei exceeded its net book value as of December 31, 2007. Therefore, step two was not required.

(j) Impairment of Long-lived Assets

Long-lived assets, other than goodwill, including property, plant, and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount in which the carrying amount of the asset exceeds the fair value of the asset.

FUWEI FILMS (HOLDINGS) CO., LTD and SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the years ended December 31, 2005, 2006 and 2007
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(3) Summary of Significant Accounting Policies and Practices (continued)

(k) Revenue Recognition

Sales of plastic flexible packaging materials are reported, net of value added taxes ("VAT"), sales returns, trade discounts and allowances. The standard terms and conditions under which the Group generally delivers allow a customer the right to return product for refund only if the product does not conform to product specifications; the non-conforming product is identified by the customer; and the customer rejects the non-conforming product and notifies the Group within 7 days and 30 days of receipt for sales to customers in the PRC and overseas respectively. The Group recognizes revenue when products are delivered and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

In the PRC, VAT of 17% on invoice amount is collected in respect of the sales of goods on behalf of tax authorities. The VAT collected is not revenue of the Group; instead, the amount is recorded as a liability on the consolidated balance sheet until such VAT is paid to the authorities.

(l) Government Grants

Government grants are recognized in the consolidated balance sheet initially as deferred income when they have been received. Grants that compensate the Group for expenses incurred are recognized as a reduction of expenses in the consolidated statement of income in the same period in which the related expenses are incurred.

For the year ended December 31, 2005, government grants of RMB160 were recognized to compensate research and development expenses incurred and RMB98 were received as incentive of high VAT payer and were recorded in administrative expenses. For the year ended December 31, 2006, government grants of RMB900 were recognized to compensate research and development expenses incurred and were recorded in administrative expenses. For the year ended December 31, 2007, government grants of RMB20,000 (US$2,762) were recognized to compensate research and development expenses incurred and were recorded in administrative expenses.

(m) Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs amounted to, RMB1,157, RMB3,650 and RMB 420 (US$55) for the year ended December 31, 2005, 2006 and 2007 and such costs were recorded in administrative expenses.

(n) Retirement and Other Postretirement Benefits

Contributions to retirement schemes (which are defined contribution plans) are charged to expense as and when the related employee service is provided.

(o) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109 ("FIN 48"). FIN 48 seeks to reduce the diversity in practice associated with certain aspects of measuring and recognition in accounting for income taxes. The Company adopted FIN 48 begining on January 1, 2007. The initial adoption of FIN 48 had no impact on the Company's financial statements. The Company has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of interest expenses and administrative expenses in the statements of income, respectively. The additional disclosures required under FIN 48 are included in Note 19.

(amounts in thousands, except share and per share data)

(3) Summary of Significant Accounting Policies and Practices (continued)

(p) Stock Option Plan

The fair value of stock options granted to Maxim Group LLC under the stock option plans is recognized as listing expenses deducted from IPO proceeds and recorded in additional paid-in capital.

On December 18, 2006, the Company granted 187,500 stock options to Maxim Group LLC as part of the compensation for the provision of services relating to the IPO of the Company. The stock option is exercisable at an exercises price equal to US$10.35 per ordinary share commencing six months from December 18, 2006 and expiring five years from December 18, 2006. The stock option and ordinary shares underlying the stock option may not be sold, transferred, assigned, pledged or hypothecated, or be the subject of any hedging, short sale, derivative, put or call transaction that would result in the effective disposition thereof by any person for a period of six months.

The fair value of each option award is estimated on the date of grant using the Black-Scholes pricing model based on the following assumptions:

Fair value of shares on measurement date	US$ 8.28 per share
Expected volatility	57.26%
Expected dividends	0.00%
Expected term (in years)	5
Risk-free rate	4.56%

The fair value of the Company's shares was estimated based on the IPO price of US$8.28 per share. The expected volatility is estimated by reference to the historical volatility of comparable companies listed on the NASDAQ Global Market. The risk-free rate for periods within the contractual life of the options is based on the U.S. government bond in effect at the time of grant. Expected dividend yields are based on historical dividends. Changes in these subjective input assumptions could materially affect the fair value estimates.

All the stock options granted during the year ended December 31, 2006, were outstanding as of December 31, 2006, with a weighted-average remaining contractual term of 5 years. The grant-date fair value of options granted during the year ended December 31, 2006 is RMB5,643.

The Company recognized share-based compensation expenses of RMB5,643 for the year ended December 31, 2006, as listing expense deducted from IPO proceeds and recorded in additional paid-in capital. As of December 31, 2007, there was no unrecognized compensation costs related to unvested stock options.

(q) Earnings per Share

Basic earnings per share is computed by dividing net earnings by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by dividing net earnings by the weighted average number of ordinary and dilutive potential ordinary shares outstanding during the year. Diluted potential ordinary shares consist of shares issuable pursuant to stock option plan.

(3) Summary of Significant Accounting Policies and Practices (continued)

(r) Use of Estimates

The preparation of the consolidated financial statements in accordance with US GAAP requires management of the Group to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management reviews its estimates and assumptions including those related to the recoverability of the carrying amount and the estimated useful lives of long-lived assets, valuation allowances for accounts receivable and realizable values for inventories. Changes in facts and circumstances may result in revised estimates.

(s) Segment Reporting

The Group uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Group's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Group's reportable segments. Management, including the chief operating decision maker, reviews operating results solely by monthly revenue of BOPET film (but not by sub-product type or geographic area) and operating results of Shandong Fuwei, the operating subsidiary in the PRC. As such, the Group has determined that the Group has a single operating segment as defined by Statement of Financial Accounting Standard No. 131, Disclosures about Segments of an Enterprise and Related Information.

(t) Contingencies

In the normal course of business, the Group is subject to contingencies, including legal proceedings and claims arising out of the business that relate to a wide range of matters, including among others, product liability. The Group recognizes a liability for such contingency if it determines it is probable that a loss has occurred and a reasonable estimate of the loss can be made. The Group may consider many factors in making these assessments including past history and the specifics of each matter. As the Group has not become aware of any product liability claim since operations commenced, the Group has not recognized a liability for any product liability claims.

(u) Recently Issued Accounting Standards

In September 2006, FASB issued SFAS No. 158 "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)". This Statement improves financial reporting by requiring an employer to recognize the over funded or under funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This Statement also improves financial reporting by requiring an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. An employer with publicly traded equity securities is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. An employer without publicly traded equity securities is required to recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after June 15, 2007. However, an employer without publicly traded equity securities is required to disclose the following information in the notes to financial statements for a fiscal year ending after December 15, 2006, but before June 16, 2007, unless it has applied the recognition provisions of this Statement in preparing those financial statements:

- A brief description of the provisions of this Statement

(3) Summary of Significant Accounting Policies and Practices (continued)

(u) Recently Issued Accounting Standards (continued)

- The date that adoption is required

- The date the employer plans to adopt the recognition provisions of this Statement, if earlier.

The requirement to measure plan assets and benefit obligations as of the date of the employer's fiscal year-end statement of financial position is effective for fiscal years ending after December 15, 2008. Management is currently evaluating the effect of this pronouncement on financial statements.

In February 2007, FASB issued FASB Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. FAS 159 is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted subject to specific requirements outlined in the new Statement. Therefore, calendar-year companies may be able to adopt FAS 159 for their first quarter 2007 financial statements.

The new Statement allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. FAS 159 also establishes presentation and disclosure requirements designed to draw comparison between entities that elect different measurement attributes for similar assets and liabilities. On January 1, 2008, the Company elected not to adopt the option Statement.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements". This Statement amends ARB 51 to establish accounting and reporting standards for the noncontrolling (minority) interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. SFAS No. 160 is effective for the Company's fiscal year beginning October 1, 2009. Management is currently evaluating the effect of this pronouncement on financial statements.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations". This Statement replaces SFAS No. 141, Business Combinations. This Statement retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. This Statement also establishes principles and requirements for how the acquire: a) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; b) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase and c) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) will apply prospectively to business combinations for which the acquisition date is on or after Company's fiscal year beginning October 1, 2009. While the Company has not yet evaluated this statement for the impact, if any, that SFAS No. 141(R) will have on its consolidated financial statements, the Company will be required to expense costs related to any acquisitions after September 30, 2009.

On March 19, 2008, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities. The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. "Use and complexity of derivative instruments and hedging activities have increased significantly over the past several years. This has led to concerns among investors that the existing disclosure requirements in FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, do not provide enough information about how these instruments and activities affect the entity's financial position and performance," explained Kevin Stoklosa, project manager. "By requiring additional information about how and why derivative instruments are being used, the new standard gives investors better information upon which to base their decisions." The new standard also improves transparency about the location and amounts of derivative instruments in an entity's financial statements; how derivative instruments and related hedged items are accounted for under Statement 133; and how derivative instruments and related hedged items affect its financial position, financial performance, and cash flows. FASB Statement No. 161 achieves these improvements by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also provides more information about an entity's liquidity by requiring disclosure of derivative features that are credit risk-related. Finally, it requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments.

Management is currently evaluating the effect of this pronouncement on financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the years ended December 31, 2005, 2006 and 2007
(amounts in thousands, except share and per share data)

(4) Unaudited Quarterly Data

Quarter Ended	**Mar. 31**		**Jun. 30**		**Sept. 30**		**Dec. 31**		**Total**	
Fiscal year 2007	*RMB*	*US$*	*RMB*	*US$*	*RMB*	*US$*	*RMB*	*US$*	*RMB*	*US$*
Revenue	99,265	12,853	120,929	15,750	107,652	14,261	121,526	16,29	449,373	59,083
Gross profit	23,556	3,050	32,665	4,254	23,585	3,125	19,318	2,600	99,842	13,127
Net income	13,263	1,717	20,086	2,616	12,911	1,712	999	163	47,260	6,214
Basic earnings per share	1.02	0.13	1.54	0.20	0.99	0.13	0.08	0.01	3.62	0.48
Diluted earnings per share	1.02	0.13	1.54	0.20	0.99	0.13	0.08	0.01	3.62	0.48

FUWEI FILMS (HOLDINGS) CO., LTD and SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the years ended December 31, 2005, 2006 and 2007
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(5) Accounts Receivable, net

Accounts receivable at December 31, 2006 and 2007 consist of the following:

	2006	2007	2007
	RMB	RMB	US$
Accounts receivable	39,053	35,893	4,920
Less: Allowance for doubtful accounts	(872)	(2,644)	(362)
	38,181	33,249	4,558
Bills receivable	37,349	24,946	3,420
	75,530	58,195	7,978

An analysis of the allowance for doubtful accounts for 2005, 2006 and 2007 is as follows:

	2005	2006	2007	2007
	RMB	RMB	RMB	US$
Balance at beginning of year	1,008	2,015	872	120
Bad debt expense/(recovery)	1,007	(1,143)	1,772	242
Write-offs	-	-	-	-
Balance at end of year	2,015	872	2,644	363

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 7 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

(6) Inventories

Inventories at December 31, 2006 and 2007 consist of the following:

	2006	2007	
	RMB	RMB	US$
Raw materials	10,526	14,944	2,049
Work-in-progress	2,029	956	131
Finished goods	10,874	25,321	3,471
Consumables and spare parts	354	449	62
	23,783	41,670	5,712

(7) Prepayments and Other Receivables

Prepayments and other receivables at December 31, 2006 and 2007 consist of the following:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the years ended December 31, 2005, 2006 and 2007
(amounts in thousands, except share and per share data)

(7) Prepayments and Other Receivables (continued)

	2006	2007	
	RMB	RMB	US$
Purchase deposits of raw materials	5,724	13,538	1,854
Prepayments (Note)	3,354	774	106
Other receivables	10,360	1,848	253
	19,438	16,160	2,215

Note: Prepayments at December 31, 2006 and 2007 include an amount of RMB767 and RMB741 (US$102), respectively, representing the current portion of lease prepayments of the Group (see Note 9).

(8) Property, Plant and Equipment

Property, plant and equipment consist of the following:

	2006	2007	
	RMB	RMB	US$
Buildings	33,699	33,699	4,620
Plant and equipment	276,328	276,943	37,966
Computer equipment	955	1,007	138
Furniture and fixtures	1,798	1,844	253
Motor vehicles	1,390	1,273	174
Construction-in-progress	66,753	265,253	36,362
	380,923	580,019	79,513
Less: accumulated depreciation	(63,233)	(86,456)	(11,852)
	317,690	493,563	67,661

All of the Group's buildings are located in the PRC. As of December 31, 2006 and 2007, property, plant and equipment with carrying value totaling RMB242,242 and RMB360,003 (US$49,352) respectively were pledged to banks as collateral for short-term bank loans of RMB178,270 and RMB152,590 (US$20,918) respectively (see Note 12).

Construction-in-progress represents capital expenditure in respect of the BOPET production line. Interest expense capitalized during the year ended December 31, 2005, 2006 and 2007 was RMB1,152 , RMB2,855 and RMB 12,805 (US$1,684), respectively (see Note 18).

(9) Lease Prepayments

The balance represents the land use rights of the Group as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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(9) Lease Prepayments (continued)

	2006	2007	
	RMB	RMB	US$
Non-current portion	23,059	22,290	3,056
Current portion - amount charged to expense next year	767	741	102
	23,826	23,031	3,157

As of December 31, 2006 and 2007, prepaid land use rights were pledged to banks as collateral for short-term bank loans of RMB52,600 and RMB0 (US$0) respectively (Note 12).

Charges for the year ended December 31, 2005, 2006 and 2007 was RMB392, RMB724, and RMB741(US$102) respectively.

As of December 31, 2007, prepaid land use rights of the Group included certain parcels of land located in Weifang City, Shandong Province, the PRC, with a net book value of RMB23,031. The land use rights for land with area of approximately 43,878 square meters, 5,279 square meters and 25,094 square meters will expire in November 2050, May 2053 and February 2055, respectively.

(10) Intangible Asset, net

	2006	2007	
	RMB	RMB	US$
Trademark	362	362	48
Less: accumulated amortization	(253)	(326)	(43)
	109	36	5

Intangible asset represents the trademark of "Neo-luck" acquired by Shandong Fuwei from Shandong Neo-Luck on July 20, 2003. Amortization expense is recognized on a straight-line basis over the estimated useful life of 5 years. Amortization of intangible asset was RMB73, RMB72 and RMB73 (US$10) for the year ended December 31, 2005, 2006 and 2007, respectively.

The estimated amortization expense of intangible assets is as follows:

	RMB
2008	36

(11) Goodwill

Goodwill of RMB10,276 (US$1,409) at December 31, 2006 and 2007, which is not deductible for tax purposes, pertains solely to the Company's acquisition of Shandong Fuwei in October 2004. The goodwill is attributable to the development potential of business acquired.

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(12) Short-term Bank Loans

Lender	Interest rate per annum	2006 RMB	2007 RMB	2007 US$
Bank of Communications Co.,Ltd.				
- December 30, 2005 to November 25, 2006	6.70%	52,600	-	-
- December 20, 2005 to December 13, 2006	6.70%	52,546	-	-
- April 27, 2005 to September 20, 2006	5.76%	100,000	-	-
- January 15, 2007 to January 15, 2008	6.73%	-	100,000	13,709
- February 6, 2007 to January 15, 2008	6.73%	-	52,590	7,209
Weifang Commercial Bank				
- January 31, 2007 to January 30, 2008	3.06%	-	16,500	2,262
- October 30, 2007 to January 24, 2008	0.00%	-	3,500	480
China Construction Bank Corporation				
- March 31, 2006 to January 20, 2007	5.84%	8,934	-	-
Agricultural Bank of China Co., Ltd.				
- September 30, 2005 to September 9, 2006	7.25%	8,790	-	-
- October 17, 2005 to October 16, 2006	7.25%	8,000	-	-
- October 28, 2005 to October 27, 2006	7.25%	6,800	-	-
Discounted bills (Note 24(c))	6.86%-7.00%	2,008	-	-
Bank of China				
- August 25, 2007 to August 24, 2008	6.02%	-	4,826	661
- August 13, 2007 to August 12, 2008	6.03%	-	3,399	466
- August 31, 2007 to August 30, 2008	6.01%	-	2,252	309
- August 31, 2007 to August 30, 2008	6.01%	-	3,100	425
- November 14, 2007 to November 14, 2008	5.66%	-	1,860	255
		239,678	188,027	25,776

Notes:

During the years ended December 31, 2006 and 2007, the Company entered into various loan agreements with commercial banks with terms ranging from three months to one year to finance its working capital, construction, and foreign trade. None of the loan agreements requires the Company to comply with financial covenants. The weighted average interest rate of short-term bank loans outstanding as of December 31, 2006 and 2007 were 6.32% and 6.22% per annum, respectively.

The principal amounts of the above short-term loans are repayable at the end of the loan period.

(amounts in thousands, except share and per share data)

(12) Short-term Bank Loans (continued)

Following the maturity of the short-term loans of RMB52,546 and RMB100,000 from Bank of Communications Co., Ltd on December 13, 2006 and September 20, 2006, respectively, the Company obtained from Bank of Communications Co., Ltd. new short terms loans of RMB52,590 and RMB100,000 on January 15, 2007, with the maturity date on January 15, 2008, and interest charged at 6.73% per annum.

The Company obtained from Weifang Commercial Bank new short term loan of RMB16,500 (US$2,262) on January 15, 2007, with the maturity date on January 30, 2008, and interest charged at 3.060% per annum. The Company obtained from Weifang Commercial Bank new short term loan of RMB3,500(US$480) on January 31, 2007, with the maturity date on January 24, 2008 and , and interest charged at 0.00% per annum. the loan is a low interest rate loan from the government to enterprises and the interest rate applied in the Fund is 50% lower than the prevailing interest rate published by People's Bank of China. The loan is a kind of industrial development fund loan administered by the local government in Shandong with the purpose of enhancing the independent innovation and technical research and development ability of local enterprises and supporting the development of local high and new technology companies. RMB 20,000 (US$2,742) proceeds from this loan have been invested in the construction of the Fuwei technology center testing production line project.

All of the short-term loans from Agricultural Bank of China Co., Ltd., totaling RMB23,590 (US$3,234), and a short-term loan from Bank of Communications Co., Ltd. of RMB 52,600 (US$7,211), were fully repaid in January 2007 and February 2007, respectively.

On August and September 2007, Shandong Fuwei recommended a foreign currency portfolio from Bank of China Weifang branch, expect it will be reduce the cost of foreign exchange for Shandong Fuwei import raw material. The portfolio transactions are guaranteed by RMB 64,909 (US$1,879) security deposit. Loan contract is signed between two parties when L/C is opened and contract stated that term is one year and lending interest rates base on low fix benchmark interest rate of the People's Bank of China (the "PBOC"), and dollar is purchased at lower exchange rate. The Company obtained from Bank of China new short term loans totaling RMB15,981 from August 2007 to November 2007, with maturity terms of one year from the borrowing dates. All of the loans are due before December 31, 2008. The interest rates are between 5.66% to 6.03% per annum.

Short-term loans outstanding, which are all denominated in Renminbi, are secured and guaranteed as follows:

	2006	2007	
	RMB	RMB	US$
Secured by:			
- property, plant and equipment	178,270	152,590	20,288
- lease prepayments	52,600	-	-
- bills receivable	2,008	-	-
Guaranteed by related parties (Note 20(a))	6,800	20,000	2,742
Restricted cash	-	15,437	2,116
	239,678	188,027	25,776

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(13) Accrued Expenses and Other Payables

Accrued expenses and other payables at December 31, 2006 and 2007 consist of the following:

	2006	2007	
	RMB	RMB	US$
Payables to contractors	8,677	-	-
Receipts in advance from customers	3,929	11,020	1,511
VAT payable and other taxes payable	893	3,709	508
Audit fee	1,990	84	12
IPO expenses	1,923	-	-
Others	2,085	3,731	511
	19,497	18,544	2,542

(14) Shareholders' Equity

(a) On the date of incorporation on August 9, 2004, the authorized share capital was US$50 comprising 50,000 ordinary shares of US$1.00 each. On October 6, 2004, the Company issued 100 ordinary shares of US$1 each.

On November 23, 2006, the Company:

(i) Increased the authorized share capital from US$50 comprised of 50,000 ordinary shares of US$1.00 per share to US$2,595 comprised of 2,595,040 shares of US$1.00 per share.

(ii) Declared a 7.707-for-one ordinary share split. Further to the share split, the authorized share capital is divided into 20,000,000 ordinary shares of a par value of US$0.129752 each. All share and per share amounts presented in the consolidated financial statements and related notes have been revised to reflect the share split retroactively.

On November 23, 2006, further to the resolutions adopted on May 8, 2006, the outstanding shareholders' loans from Apex Glory Holdings and Easebright Investments of RMB70,596 and RMB18,766 respectively, were converted into 6,911,895 and 1,837,334 ordinary shares of the Company respectively.

During the year ended December 31, 2006, the Company issued 4,312,500 new ordinary shares through an IPO. See Note 1 to the consolidated financial statements for details of the IPO.

(b) Transfers from retained earnings to statutory reserves were made in accordance with the relevant PRC rules and regulations and the articles of association of the Shandong Fuwei and were approved by the board of directors of Shandong Fuwei.

(15) Revenues

The Group's revenue is primarily derived from the manufacture and sale of plastic flexible packaging materials.

(amounts in thousands, except share and per share data)

(15) Revenues (continued)

The following table shows the distribution of the Group's revenue by the geographical location of customers, whereas all the Group's assets are located in the PRC:

	2005	2006	2007	
	RMB	RMB	RMB	US$
The PRC	304,421	345,122	335,213	44,073
Overseas countries (principally Korea, United States of America and Europe)	41,784	91,762	114,160	15,010
	346,205	436,884	449,373	59,083

The Group's revenue by significant types of films for 2005, 2006 and 2007 is as follows:

	2005	2006	2007	
	RMB	RMB	RMB	US$
Printing film	103,682	95,315	83,453	10,972
Stamping film	94,711	99,856	94,366	12,407
Metallization film	39,647	34,772	30,668	4,032
Base film for other application	59,826	46,784	70,925	9,325
Special film	48,339	160,157	169,961	22,346
	346,205	436,884	449,373	59,083

The Group operates and manages its business in one single operating segment - Shandong Fuwei, the operating subsidiary in the PRC. The results of Shandong Fuwei used by management to evaluate business performance are prepared based on PRC GAAP. Segment information is set out below:

	2005	2006	2007	
	RMB	RMB	RMB	US$
Revenues from external customers (Note (a))	342,085	429,354	450,946	59,290
Segment income	58,240	65,620	54,823	7,208
Reconciling items (Note (b))	(1,171)	2,802	2,788	367
Income before income taxes	57,069	68,422	51,941	6,829
Depreciation and amortization	23,802	24,221	23,290	3,062
Segment assets (Note (c))		496,334	753,863	103,345
Expenditures for long-lived assets		40,175	185,190	24,349

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(15) Revenues (continued)

(a) Reconciliation of total segment revenue to consolidated revenue

	2005	2006	2007	
	RMB	RMB	RMB	US$
Total segment revenues under PRC GAAP	342,085	429,354	450,946	59,290
Reconciliation from PRC GAAP to US GAAP:				
- Freight and other operating expenses	4,120	7,530	1,573	207
Consolidated revenues under US GAAP	346,205	436,884	449,373	59,083

(b) Reconciliation of total segment income to consolidated operating income

	2005	2006	2007	
	RMB	RMB	RMB	US$
Total segment income under PRC GAAP	58,240	65,620	54,823	7,208
- Depreciation on property, plant and equipment	871	871	907	119
- Capitalization of interest expense	1,152	2,855	1,170	122
- Other adjustments	(806)	1,214	1,963	259
	1,217	4,940	3,040	400
Total segment income under US GAAP	59,457	70,560	57,863	7,608
Interest income of holding companies	-	14	91	12
Administrative expenses of holding companies	(2,388)	(2,152)	(5,929)	(756)
Consolidated income before income taxes	57,069	68,422	52,025	6,840

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(15) Revenues (continued)

(c) Reconciliation of total segment assets to consolidated total assets

	2006	2007	
	RMB	RMB	US$
Total assets for reportable segment under PRC GAAP	496,334	753,863	103,345
Reconciliation from PRC GAAP to US GAAP:			
- Property, plant and equipment	(25,201)	(15,453)	(2,118)
- Lease prepayments	2,754		
- Deferred tax assets	1,047	1,047	144
- Goodwill	10,276	10,276	1,409
- Accounts receivable, net	3,088	(2,946)	(404)
- Prepayments and other receivables	(1,171)	(7,796)	(1,014)
Total segment assets under US GAAP	487,127	738,991	101,302
Cash held by the Company	240,978	131	18
Others (Note)	9,977	(147)	(20)
Consolidated total assets	738,082	738,975	101,304

Note: The 2006 balance primarily includes other receivables of the Company. The 2007 balance primarily includes other payables of third parties.

(16) Depreciation and Amortization

Depreciation of property, plant and equipment and amortization of intangible asset is included in the following captions:

	2005	2006	2007	
	RMB	RMB	RMB	US$
Cost of goods sold	22,737	22,721	22,557	2,966
Distribution expenses	12	10	14	2
Administrative expenses	661	766	719	95
	23,410	23,497	23,290	3,062

(17) Freight Costs

The Group records freight costs related to the transporting of the raw materials to the Group's warehouse in cost of goods sold and all other outbound freight costs in distribution expenses. For the year ended December 31, 2005, 2006 and 2007, freight costs included in cost of goods sold were RMB186, RMB177 and RMB3,030 (US$398), respectively, and RMB7,913, RMB13,170 and RMB10,843 (US$1,426), respectively, were included in distribution expenses.

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(18) Interest Expense

The Group capitalizes interest expense as a component of the cost of construction in progress. The following is a summary of interest cost incurred during the year ended December 31, 2005, 2006 and 2007:

	2005	2006	2007	
	RMB	RMB	RMB	US$
Interest cost capitalized	1,152	2,855	170	22
Interest cost charged to expense	13,747	12,884	13,233	1,684
	14,899	15,739	12,975	1,706

(19) Income Taxes

Cayman Islands Tax

Under the current Cayman Island laws, the Company is not subject to tax on income or capital gain. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

PRC Tax

Shandong Fuwei, being a Hi-Tech Enterprise in the Weifang Hi-Tech Industrial Zone in Shandong, the PRC, has been granted preferential tax treatments by the Tax Bureau of the PRC. According to the PRC Income Tax Law and various approval documents issued by the Tax Bureau, Shandong Fuwei's profit was taxed at a rate of 15%.

In addition, Shandong Fuwei has been granted certain tax relief under which it is exempted from PRC income tax for the period from January 28, 2003 to December 31, 2006, and 50% reduction in tax rate for the year ended December 31, 2007.

If Shandong Fuwei was not entitled to a reduced enterprise income tax, or EIT, rate of 0% for the year ended December 31, 2005 and 2006, and rate of 7.5% for the year ended December 31, 2007, it would have had an EIT rate of 15%. Net income and basic and diluted earnings per share would be reduced by the following amounts.

	2005	2006	2007	
	RMB	RMB	RMB	US$
Net income	(8,736)	(10,453)	(4,340)	(571)
Earnings per share				
- Basic	(11,331)	(9.50)	(0.33)	(0.04)
- Diluted	(11,331)	(9.48)	(0.33)	(0.04)

(amounts in thousands, except share and per share data)

(19) Income Taxes (continued)

The Group had minimal operations in jurisdictions other than the PRC. (Loss)/income before income taxes consists of:

	2005	2006	2007	
	RMB	RMB	RMB	US$
Cayman Islands	(60)	(2,117)	(5,893)	(775)
British Virgin Islands	(2,328)	(21)	55	7
PRC	59,457	70,560	57,863	7,608
	57,069	68,422	52,025	6,840

The Company has no material unrecognized tax benefit which would favorably affect the income taxes in future periods and do not believe there will be any significant increases or decreases within the next twelve month. No Interest or penalties have been accrued at the date of adoption.

Pursuant to the acquisition by Fuwei (BVI), Shandong Fuwei became a wholly foreign-owned enterprise under the laws of the PRC on January 5, 2005. Accordingly, Shandong Fuwei is entitled to a new 2-year-exemption-3-year-50%-reduction Foreign Enterprise Income Tax holiday whereby the profit for the first two financial years beginning with the first profit-making year (after setting off tax losses carried forward from prior years) is exempted from income tax in the PRC and the profit for each of the subsequent three financial years is taxed at 50% of the prevailing tax rates set by the relevant tax authorities. The tax holiday of Shandong Fuwei commenced in 2005.

On December 29, 2006, the Standing Committee of the Tenth National People's Congress ("NPC") passed a resolution to submit the draft Enterprises Income Tax Law ("New Tax Law") to the Tenth NPC plenary session for voting. On March 16, 2007, the National People's Congress of the PRC passed the Enterprise Income Tax Law of the People's Republic of China, which law will take effect as of January 1, 2008. Further, on December 6, 2007, the State Council Released the Implementation Rules to the Corporate Income Tax Law ("the Implementation Rules").

According to the New Tax Law, from January 1, 2008, the standard corporate income tax rates for enterprises in the PRC will be reduced from 33% to 25%. However, an "encouraged hi-tech enterprise" will continue to be entitled a reduced corporate income tax rate of 15%.

Under the New Tax Law being effective from January 1, 2008, and in accordance with "Notification of the State Council on carrying out the Transitional Preferential Policies concerning Enterprise Income Tax"(Guo Fa [2007] No.39) promulgated by the State Council on December 26, 2007, an entity established before March 16, 2007 that was entitled to preferential tax treatment prior to the New Tax Law will be subject to transitional tax rate beginning in period 2008 (" Transitional Tax rate") before the new corporate income tax rate of 25% applies. For company currently enjoying a reduced tax rate of 15%, the Transitional Tax Rate is 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011and 2012 on wards respectively. The tax rate will transit to the standard tax rate of 25% for entities with current rate of 24% effective from January 1, 2008.

The Company believes that Shandong Fuwei will continue qualifying as an "encouraged hi-tech enterprise" under the New Tax Law. Accordingly, the deferred taxes as of December 31, 2007, have been calculated employing the statutory rate of the Shandong Fuwei of 15%.

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(19) Income Taxes (continued)

Income tax benefit/ (expense) consists of:

PRC income tax	Current RMB	Deferred RMB	Total RMB
Year ended December 31, 2005	-	59	59
Year ended December 31, 2006	-	(757)	(757)
Year ended December 31, 2007	(4,529)	(152)	(4,681)
Year ended December 31, 2007 (US$)	(595)	(20)	(615)

Income tax benefit reported in the consolidated statements of income differs from the income tax expense amount computed by applying the PRC income tax rate of 15% (the statutory tax rate of the Company's principal subsidiary) for the year ended December 31, 2005, 2006 and 2007 for the following reasons:

	2005	2006	2007	
	RMB	RMB	RMB	US$
Income before income taxes	57,069	68,422	51,941	6,829
Computed "expected" tax expense	(8,560)	(10,263)	(7,791)	(1,024)
Non-deductible expenses	(419)	(377)	(900)	(118)
Non-taxable income	-	2	24	3
Tax holiday	8,978	9,827	3,986	524
Tax rate differential of other tax jurisdictions	60	54	-	-
Actual income tax benefit/(expenses)	59	(757)	(4,681)	(615)

Tax effects of temporary differences that give rise to significant portions of the deferred tax assets/(liabilities) as of December 31, 2006 and 2007, are presented below.

(amounts in thousands, except share and per share data)

(19) Income Taxes (continued)

Deferred income tax assets/(liabilities):

	2006	2007	
	RMB	RMB	US$
Current			
Accounts receivable	(162)	(265)	(36)
Other receivables	(29)	–	–
	(191)	(265)	(36)
Non-current			
Property, plant and equipment, principally due to differences in depreciation and capitalized interest	2,205	2,666	365
Construction in progress, principally due to capitalized interest	(722)	(1,150)	(158)
Lease prepayments, principally due to differences in charges	(436)	(547)	(74)
	1,047	969	133
Net deferred income tax assets	856	704	97

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. In order to fully realize the deferred tax asset, Shandong Fuwei will need to generate future taxable income of approximately RMB12,544 prior to 2031. Shandong Fuwei was under tax concession period for the period from January 28, 2003 to December 31, 2007. The profit before taxation for Shandong Fuwei for the year ended December 31, 2005, 2006 and 2007 was RMB58,586 and RMB69,933 and RMB 51,941 (US$7,120) respectively. Based upon the level of historical performance of Shandong Fuwei, management believes the deferred tax assets are realizable.

(amounts in thousands, except share and per share data)

(20) Related Party Transactions

Name of party	*Relationship*
Shandong Baorui Investment Co., Ltd ("Shandong Baorui")	Former shareholder (10%) of Shandong Fuwei. Shandong Baorui is 22.1% owned by the Group Founders.
Shenghong Group Co., Ltd ("Shenghong Group")	Former shareholder (90%) of Shandong Fuwei.
Shandong Neo-Luck Plastic Co., Ltd ("Shandong Neo-Luck")	The Group Founders' former employer, previously engaged in the business of BOPET film production.
Weifang Neo-Luck (Group) Co., Ltd ("Weifang Neo-Luck Group")	Major shareholder (59%) of Shandong Neo-Luck. One of the directors of the Company was the general manager of Weifang Neo-Luck Group prior to joining the Company in April 2005.
Easebright Investments Limited ("Easebright Investments")	Shareholder (21%) of the Company
Apex Glory Holdings Limited ("Apex Glory Holdings")	Shareholder (79%) of the Company
Fuhua Industrial Material Management Co., Ltd. ("Fuhua Management")	Investment owned by Weifang Neo-Luck Group.
Weifang Fuwah Hotel Co. Ltd ("Fuwah Hotel")	Investment owned by Weifang Neo-Luck Group.

(a) The principal related party transactions during the year ended December 31, 2005, 2006 and 2007 are as follows:

	Note	2005	2006	2007	
		RMB	RMB	RMB	US$
Guarantee of bank loans	(i)	6,800	6,800	-	-
Rentals for staff quarters	(ii)	201	151	160	21
Interest income	(iii)	838	-	-	-

Notes:

(i) During the year ended December 31, 2005 and 2006, a bank loan of RMB6,800 was guaranteed by Shandong Baorui.

(ii) During the year ended December 31, 2005, 2006 and 2007, the Group paid the rental expenses to Fuhua Management for renting an apartment for the purpose of staff quarters.

(iii) During the year ended December 31, 2005, interest income of RMB838 was received from Weifang Neo-Luck Group in respect of a loan receivable carried at an interest rate of 5.49% per annum.

(amounts in thousands, except share and per share data)

(21) Pension and Other Postretirement Benefits

Pursuant to the relevant PRC regulations, the Group is required to make contributions at a rate of 20% of employees' salaries and wages to a defined contribution retirement scheme organized by the local Social Bureau in respect of the retirement benefits for the Group's employees in the PRC. The total amount of contributions of RMB527, RMB456 and RMB433 (US$57) for the year ended December 31, 2005, 2006 and 2007, respectively, was charged to administrative expenses in the accompanying consolidated statements of income. The Group has no other obligation to make payments in respect of retirement benefits of the employees.

(22) Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, trade accounts receivable, prepayments and other receivables, amounts due from related parties, amounts due to related parties, and accrued liabilities and other payables, approximate their fair values because of the short maturity of these instruments.

The carrying amount of bank loans approximate the fair value based on the borrowing rates currently available for bank loans with similar terms and maturity.

(23) Business and Credit Concentrations

(a) Almost all of the Group's customers are located in the PRC. There is no individual customer with gross revenue more than 10% of total gross revenue during the year ended December 31, 2005, 2006 and 2007.

There were no amounts due from customers representing more than 10% of the outstanding accounts receivable at December 31, 2006 and 2007.

(b) The Group purchased a significant portion of PET resin required for the production of BOPET film from Sinopec Yizheng Chemical Fibre Company Limited ("Sinopec Yizheng") during the year ended December 31, 2005 , 2006 and 2007. The Group believes that there are a limited number of suppliers in the PRC with the ability to consistently supply PET resin that meets the Group's quality standards and requirements. Currently, the Group has an annual supply agreement with Sinopec Yizheng pursuant to which Sinopec Yizheng has agreed to supply fixed quantities of PET resin to the Group on a monthly basis at the prevailing market prices. The terms of such supply agreement are reviewed annually. Although the Group believes that it maintains a good relationship with its major suppliers, there can be no assurance that Sinopec Yizheng will continue to sell to the Group under normal commercial terms as and when needed. In the event that these major suppliers ceased to sell to the Group and the Group could not secure other sources of supply, the Group's turnover and profitability might be adversely affected.

The following are the vendors that supplied 5% or more of our raw materials for each of the year ended December 31, 2005, 2006 and 2007:

		Percentage of total purchases (%)		
Name of Vender	**Supply**	2005	2006	2007
Sinopec Yizheng	PET resin	66.6	58.5	46.4
Hyosung Corporation	PET resin	-	2.1	18.0
Yizheng Tianbao Polyester Co., Ltd.	Additives	16.7	23.9	16.6
Jiangyin Xingtai New Material Co., Ltd.	PET resin	-	6.7	12.3
Zhuhai Yubua Polyester Co., Ltd.	PET resin and ...	5.3	2.1	-

(amounts in thousands, except share and per share data)

(24) Commitments and Contingencies

(a) Operating lease commitments

Future minimum lease payments under non-cancelable operating leases as of December 31, 2007 are as follows:

	RMB
2008	490

The Company leases warehouses and staff quarters under operating leases. The leases typically run for an initial period of between one and five years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

For the year ended December 31, 2005, 2006 and 2007, total rental expenses for non-cancelable operating leases were RMB321, RMB309 and RMB2,792 (US$367), respectively.

(b) Capital commitments

Capital commitments for purchase of property, plant and equipment as of December 31, 2007 were RMB155,058 (US$21,257).

(c) Outstanding bills receivable discounted

As of December 31, 2006, the Company had retained a recourse obligation of RMB2,008 in respect of bills receivable discounted with and sold to banks. The recourse obligation represents the amount the Company will be obligated to repay to the extent that the issuing banks who have guaranteed payment do not honor the bills receivable upon maturity. For the year presented, the Company did not experience any losses on bills receivable discounted. The discounted bills at 2006 was RMB2,008 and was disclosed as secured short-term loans (see Note 12).

As of December 31, 2007, the Company had not retained any recourse obligation in respect of bills receivable discounted with and sold to banks.

(d) Legal proceedings

In 2006, Shandong Fuwei received a correspondence relating to an arbitration proceeding initiated by DMT S. A. ("DMT") against Shandong Neo-Luck in the ICC International Court of Arbitration and DMT is seeking monetary damages against Shandong Neo-Luck of approximately US$1,250 plus interest relating to a claim of partial non-payment for the DMT production line Shandong Fuwei acquired from Beijing Baroui in 2005. Based on an external legal opinion, the Company believes that no liability with respect to such proceeding should arise with regard to Shandong Fuwei, due to the lack of any contract or direct obligation between Shandong Fuwei and DMT. Shandong Fuwei intends to vigorously contest any claims in respect of obligations of Shandong Neo-Luck.

At the invitation of Weifang Neoluck (Group) Co., Ltd ("Neoluck Group"), the original majority shareholder of Shandong Neoluck, the Neoluck Group and DMT engaged in efforts to achieve a settlement of the pending arbitration on January 18, 2008. The Company joined those discussions as an interested party and in order to support a resolution of the pending dispute and to achieve resolution of certain outstanding service and spare part issues.

The arbitration proceeding between DMT and Shandong Neoluck, after several weeks of negotiations among the parties, the parties entered into two agreements, a Service and Technical Assistance Agreement (the "Service Agreement") was signed between DMT and Shandong Fuwei on March 5, 2008 under the Service Agreement, Shandong Fuwei will pay an amount of US$180 in two installments for receiving service and spare parts.

In connection with this agreement a third party is required to compensate the plantiff if the third party does not perform under the terms of settlement the Company's liability in regard to this matter may increase.

(amounts in thousands, except share and per share data)

(24) Commitments and Contingencies

(d) Legal proceedings (continued)

At December 31, 2007, Hampden Kent Group LLC ("HKG") commenced arbitration for the amount of US$3,800 relating to a claim for a penalty fee in connection with services allegedly performed by HKG in connection with attempting to provide financing to Fuwei pursuant to a service agreement between the parties. As regarding the service agreement, any dispute between the parties would be arbitrated by the American Arbitration Association ("AAA") in accordance with its rules. Pursuant to these rules, a demand for arbitration must be filed with the AAA regional office together with a filing fee by the claiming party, in this case, HKG. In December 2007, HKG filed a demand for arbitration with the International Dispute Center of the AAA. The Company believes the allegations are without merit and that it intends to defend itself vigorously against the claims. Management estimated the exposure to the claim ranges from US$0 to US$3,800 as of December 31, 2007.

On October 19, 2007, the Company became aware that a class action lawsuit had been filed on behalf of all purchasers of the Company's stock (collectively, the "Plaintiffs") from the date of the Company's Initial Public Offering on December 19, 2006 through October 16, 2007. The case is pending in the United States District Court for the Southern District of New York. The complaint alleges that the Company and certain of its present and former officers, directors and control persons (collectively, the "defendants") violated the Securities Act of 1933. On November 21, 2007, the Company was given notice that a class action lawsuit had been commenced on behalf of all purchasers of the Company's stock (collectively, the "plaintiffs") pursuant or traceable to the Registration Statement and Prospectus issued in connection with the Company's Initial Public Offering on December 19, 2006 through November 12, 2007. The case is pending in the United States District Court for the Southern Disctrict of New York. The complaint alleges that the Company, its underwriters and certain of its executives (collectively, the "Defendants") violated Section 11, 12(2) and 15 of the Securities Act of 1933. The complaint also alleges that the Defendants misrepresented or omitted material information regarding the Company and its business operation. The Company's management believes that the allegation are without merit, and the Company intends to defend itself vigorously against the claims, and has engaged a law firm in this regard. However, it is currently unable to reasonably estimate the amount or range of possible losses that will result from the ultimate resolution of this matter.

(25) Earnings per Share

Basic and diluted earnings per share for the period/year ended December 31, 2005, 2006 and 2007 have been calculated as follows:

	2005	2006	2007	
	RMB	RMB	RMB	US$
Net income available to ordinary shareholders	57,128	67,665	47,260	6,214
Denominator for basic net income available to ordinary shareholders:				
Weighted average number of ordinary shares Outstanding	771	1,101,031	13,062,500	13,062,500
Basic earnings per share	74,096	61.46	3.62	0.48
Net income available to ordinary shareholders	57,128	67,665	47,260	6,214
Denominator for diluted net income available to ordinary shareholders:				
Weighted average number of ordinary shares outstanding	771	1,101,031	13,062,500	13,062,500
Weighted average number of share options	-	1,457	-	-
	771	1,102,488	13,062,500	13,062,500
Diluted earnings per share	74,096	61.37	3.62	0.48

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the years ended December 31, 2005, 2006 and 2007
(amounts in thousands, except share and per share data)

(26) Fuwei Films (Holdings) Co., Ltd (Parent Company)

Under PRC regulations, the Company's operating subsidiary, Shandong Fuwei may pay dividends only out of its accumulated profits, if any, determined in accordance with the accounting standards and regulations prevailing in the PRC ("PRC GAAP"). In addition, Shandong Fuwei is required to set aside at least 10% of its accumulated profits each year, if any, to fund the statutory general reserve until the balance of the reserve reaches 50% of its registered capital. The statutory general reserve is not distributable in the form of cash dividends to the Company and can be used to make up cumulative prior year losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings, or by increasing the par value of the shares currently held by them, provided that the reserve balance after such issue is not less than 25% of the registered capital. As of December 31, 2007, additional transfers of RMB4,741 (US$623) are required before the statutory general reserve reaches 50% of the registered capital of Shandong Fuwei. Further, Shandong Fuwei is also required to allocate 5% of the profit after tax, determined in accordance with PRC GAAP, to the statutory public welfare fund which is restricted to be used for capital expenditures for staff welfare facilities owned by the Company. The statutory public welfare fund is not available for distribution to equity owners (except in liquidation) and may not be transferred in the form of loans, advances, or cash dividends. As of December 31, 2007, an aggregate amount of RMB36,312 (US$4,978) has been appropriated from retained earnings and set aside for statutory general reserve and public welfare fund, by Shandong Fuwei.

As of December 31, 2007, the amount of restricted net assets of Shandong Fuwei, which may not be transferred to the Company in the form of loans, advances or cash dividends by the subsidiaries without the consent of a third party, was approximately 70% of the Company's consolidated net assets as discussed above. In addition, the current foreign exchange control policies applicable in the PRC also restrict the transfer of assets or dividends outside the PRC.

The following presents condensed unconsolidated financial information of the Parent Company only.

Condensed Balance Sheet as of December 31, 2006 and 2007

	2006	2007	
	RMB	RMB	US$
Cash and cash equivalents	240,978	74	10
Other current assets	96,045	311,835	42,749
Investments in subsidiaries	147,762	147,762	20,256
Total assets	484,785	459,671	63,015
Current liabilities	18,878	21,194	2,905
Total shareholders' equity	465,907	438,477	60,110
Total liabilities and shareholders' equity	484,785	459,671	63,015

(amounts in thousands, except share and per share data)

(26) Fuwei Films (Holdings) Co., Ltd (Parent Company) (continued)

Condensed Statements of Operations (For the year ended December 31, 2005, 2006 and 2007)

	2005	2006	2007	
	RMB	RMB	RMB	US$
Interest income	-	14	91	12
General and administrative expenses	(60)	(2,131)	(5,984)	(787)
Loss before equity in undistributed earnings of subsidiaries	(60)	(2,117)	-	-
Equity in earnings of subsidiaries	57,188	69,782	-	-
Net income	57,128	67,665	(5,983)	(787)

FUWEI FILMS (HOLDINGS) CO., LTD and SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
For the years ended December 31, 2005, 2006 and 2007
(amounts in thousands, except share and per share data)

(26) Fuwei Films (Holdings) Co., Ltd (Parent Company) (continued)

Condensed Statement of Cash Flows (For the year ended December 31, 2005, 2006 and 2007)

	2005	2006	2007	
	RMB	RMB	RMB	US$
Cash flow from operating activities				
Net income	57,128	67,665	(5,893)	(775)
Adjustment to reconcile net income to net cash from operating activities:				
- Equity in earnings of subsidiaries	(57,188)	(69,782)	-	-
- Foreign exchange gain	-	(1,473)	-	-
Changes in operating assets and liabilities:				
- Other current assets	(89,323)	(9,974)	9,631	1,266
- Other current liabilities	89,396	18,659	(3,713)	(488)
Net cash provided by operating activities	13	5,095	25	3
Cash flow from financing activities				
Payments to related parties	-	-	(232,656)	(30,589)
Issuance of share capital	-	235,867	-	-
Effect of exchange	-	-	(8,273)	(1,088)
Net cash provided by/(used in) financing activities	-	235,867	(240,929)	(31,677)
Net increase/(decrease) in cash	13	240,962	(240,904)	(31,674)
Cash:				
At beginning of year	3	16	240,978	30,878
At end of year	16	240,978	74	10

(27) Subsequent Events

The arbitration proceeding between DMT S. A. ("DMT") and Shandong Neoluck Plastics Co. Ltd. ("Neoluck"), after several weeks of negotiations among the parties, the parties entered into two Agreements, one is a Service and Technical Assistance Agreement (the "Service Agreement") between DMT and Shandong Fuwei, dated March 5, 2008, providing for the payment of $180 in two installments in order to commence receiving service and spare parts with respect to the equipment that had been originally sold by DMT. On March 12, 2008, the Neoluck Group entered into a Settlement Agreement (the "Settlement Agreement") with DMT, pursuant to which Neoluck Group will make a payment of $900 through an irrevocable bank draft delivered to DMT to be drawn upon within sixty days. In accordance with the provisions of the Settlement Agreement, upon DMT's collection of moneys to be paid under the Settlement Agreement and the Service Agreement, the pending dispute in arbitration will be withdrawn and DMT will release the Neoluck Group and Fuwei from any claims relating to the original sale of the equipment.

(27) Subsequent Events (continued)

In accordance with the Settlement Agreement, a letter, signed by counsel to DMT and Fuwei, has been transmitted to the ICC International Court of Arbitration requesting a suspension of any further proceeding pending the performance of the payment obligations under the Settlement Agreement and the Service Agreement. Once such payment obligations are performed, the arbitration proceeding will be withdrawn as settled between the parties.

On January 24, 2008, the Court consolidated into a single action the putative securities class actions pending against the Company and certain of its officers, directors, and shareholders. The Court also appointed Ninyat Tonyaz as lead plaintiff, appointed the Rosen Law Firm, P.A. as lead counsel, and granted plaintiffs leave to file a consolidated amended class action complaint. The consolidated action is styled In re Fuwei Films Securities Litigation, Case No. 07-CV-9416 (RJS). On March 14, 2008, plaintiffs filed a consolidated amended class action complaint naming as defendants the Company, Xiaoan He, Mark Stulga, Jun Yin, Tongju Zhou, Duo Wang, and the Company's IPO underwriters — Maxim Group LLC, WR Hambrecht + Co. and Chardan Capital Markets, LLC. The consolidated amended class action complaint asserts claims for violation of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933. At this point, we believe that only the Company, Mr. Stulga, and the Underwriter Defendants have been properly served with the consolidated amended class action complaint. Pursuant to a scheduling order entered by the Court on February 19, 2008, the parties named as defendants in the consolidated class action are required to answer or otherwise respond to the consolidated complaint on or before April 30, 2008.

On February 18, 2008, HKG submitted an Amended Demand for Arbitration and Statement of Claim, correcting certain clerical errors in its original demand. On March 14, 2008, the Company submitted its answering statement and counterclaim in response to HKG's Amended Demand for Arbitration and Statement of Claim. The Company denied HKG's claims for breach of contract and breach of the covenant of good faith and fair dealing as legally and factually without merit and asserted various defenses. The Company also asserted a counterclaim against HKG for breach of the August 19, 2006 Letter Agreement, seeking to recover the over $300 in fees and costs paid to HKG and other consequential damages. On March 27, 2008, HKG submitted a letter in reply to the Company's counterclaim, generally denying the allegations and claims made by the Company. At the request of HKG, the Company has agreed to attempt to resolve this dispute through mediation. A neutral mediator has been appointed by the AAA's International Centre for Dispute Resolution; however, the mediation has not yet been scheduled.

EXHIBIT 31.1

CERTIFICATION BY PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14 and 15d-14
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Xiaoan He, certify that:

1. I have reviewed this annual report on Form 20-F for the fiscal year ended December 31, 2007 of Fuwei Films (Holdings) Co., Ltd. (the "Registrant");

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the Registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. The Registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 14, 2008

/s/ Xiaoan He

EXHIBIT 31.2

CERTIFICATION BY PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14 and 15d-14
OF THE SECURITIES EXCHANGE ACT OF 1934

I, Xiuyong Zhang, certify that:

1. I have reviewed this annual report on Form 20-F for the fiscal year ended December 31, 2007 of Fuwei Films (Holdings) Co., Ltd. (the "Registrant");

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements and other financial information included in this annual report fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this annual report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Registrant and have:

(a) designed such disclosure controls and procedures to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) evaluated the effectiveness of the Registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

(c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal controls which could adversely affect the Registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal controls; and

6. The Registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 14, 2008

/s/ Xiuyong Zhang

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Fuwei Films (Holdings) Co., Ltd. (the "Company") on Form 20-F for the year ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Xiaoan He and Xiuyong Zhang, the Chief Executive Officer and Chief Financial Officer of the Company, respectively certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to the best of our knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Pursuant to the rules and regulations of the Securities and Exchange Commission, this certification is being furnished and not deemed filed.

April 14, 2008

/s/ Xiaoan He

Xiaoan He
Chief Executive Officer

/s/ Xiuyong Zhang

Xiuyong Zhang
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.